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Central Intelligence Bulletin

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14 October 1969

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Approved For Release 2003/06/11 : CIA-RDP79T00975A014700100002-6

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14 October 1969

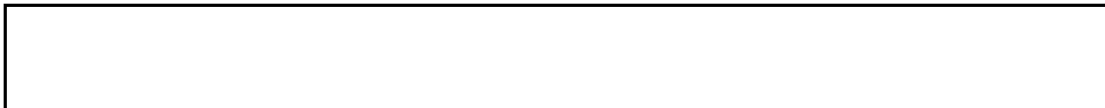
Central Intelligence Bulletin

CONTENTS



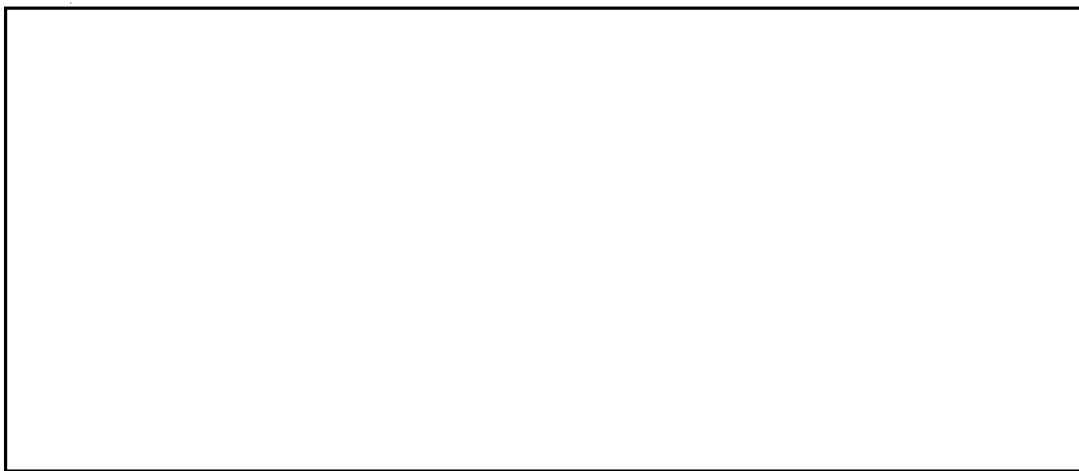
25X1

Portugal: Military pressure is limiting Caetano's freedom to change Salazar's policies. (Page 6)

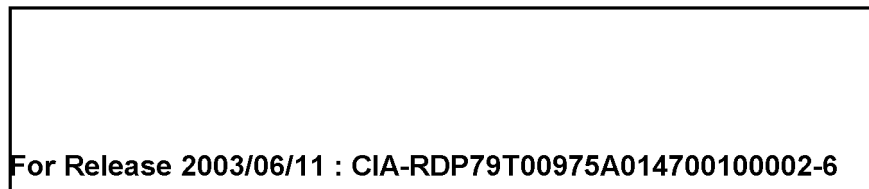


25X1

Peru: Communist labor gains apparently have tacit government approval. (Page 8)



25X1



25X1

Next 4 Page(s) In Document Exempt

25X1

Portugal: Pressure from top military officers is limiting Prime Minister Caetano's freedom to make, or even advocate, changes in policies established by ex-dictator Salazar.

Caetano's minor easement of the government's traditional tight control of the opposition as well as the opposition's first open criticism of overseas policy have caused concern. Speaking for the leaders of Portugal's armed forces, Army Chief of Staff Deslandes has warned President Thomaz that displeasure with Caetano is on the rise.

Deslandes did not demand Caetano's removal. With an implied threat of such a demand, however, he outlined the armed forces' consensus on future government policy. The military opposes even raising the question of changing the status of the African territories. They insist that budget appropriations be increased for military pay reforms and equipment. The military also will not allow themselves to be eased out of high government positions and will not tolerate student or opposition demonstrations. In apparent deference to this military pressure, perhaps partly for tactical reasons, Caetano on 6 October publicly defended a hard-line policy on Africa.

Government party candidates are not now likely to explore public interest in greater civil liberties either in the Metropole or in the African provinces. The activity of opposition candidates, who have in any case expected to be elected only in token numbers, is also likely to be more circumscribed. They prefer Caetano to an extreme right-wing dictator.

The Prime Minister is still free to pursue his interest in modernizing the country's economic structure. During the campaign for the 26 October National Assembly election, government party candidates sympathetic to Caetano are likely to stress the need for industrialization, agricultural reforms, education, and housing.

25X1

25X1

14 Oct 69

Central Intelligence Bulletin

6

25X1

25X6

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Peru: Communist gains in the labor field apparently have the tacit approval of the Velasco government.

The military government desires to see its traditional political enemy, the American Popular Revolutionary Alliance (APRA), lose its dominant position in labor. The government thus looks with favor on the recently formed Communist-led General Confederation of Peruvian Workers (CGTP) and is giving it some assistance. The most blatant example was President Velasco's capitulation to striking Communist miners after APRA unions had accepted a smaller wage increase and returned to work. The government's take over of the sugar industry, a major source of APRA union strength, was a blow at APRA and indirectly beneficial to the CGTP, which is moving in to help the government set up cooperatives on the expropriated plantations.

The Communists have capitalized on these boosts and have made major gains in labor since the military took over a year ago. The Communists have taken over a few APRA labor federations and organized several new ones, possibly with the additional aid of Soviet financing. Government recognition of the CGTP as an official representative of Peruvian workers is expected soon, and the CGTP may be able to replace some APRA representatives on official labor committees and in the labor ministry.

To increase its own prestige and to curry the military government's favor, the CGTP sponsored a meeting of Latin American labor leaders to support the government's nationalization of a US-owned oil company. The CGTP and the Communist Youth have called a similar international conference of youth for October 16 - 19.

25X1

14 Oct 69

Central Intelligence Bulletin

8

25X1

Next 3 Page(s) In Document Exempt



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